

Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question.

- ___ 1. What is the annual interest on \$50,000 calculated at a rate of 8.125% per annum?
 - a. \$331.00
 - b. \$406.25
 - c. \$3,310.00
 - d. \$4,062.50

- ___ 2. If a monthly principal and interest payment for a 30-year, 12% loan of \$1,000 would be \$10.29 what would the monthly payment be for a home purchased at \$75,500 with an 80% loan on those terms?
 - a. \$10.29
 - b. \$621.52
 - c. \$755.90
 - d. \$776.90

- ___ 3. A house sells for \$102,000 and is appraised at \$100,000 by a lender who is willing to make a 75% loan-to-value loan. How much down payment will this house require?
 - a. \$25,500
 - b. \$27,000
 - c. \$75,000
 - d. \$76,500

- ___ 4. A borrower signs a loan agreement for \$50,000. Out of this, the lender charges a \$500.00 loan origination fee and two discount points. How much cash does the borrower get?
 - a. \$46,600
 - b. \$47,000
 - c. \$48,500
 - d. \$49,000

- ___ 5. Money for tax and insurance payments that accompanies principal and interest could be placed in any of the following accounts EXCEPT
 - a. a trust account.
 - b. an escrow account.
 - c. a remaining balance account.
 - d. a reserve account.

- ___ 6. A final loan payment that is larger than previous payments is called a
 - a. balloon payment.
 - b. budget payment.
 - c. terminal payment.
 - d. graduated payment.

- ___ 7. An interest only loan with the entire principal being repaid in one lump sum at the end of the loan is known as a:
 - a. straight or term loan.
 - b. amortized loan.
 - c. balloon loan.
 - d. common loan.

- ___ 8. The portion of the purchase price or value (which ever is less) that a mortgage lender will loan in a transaction is called the
 - a. loan-to-value ratio.
 - b. owner's equity.
 - c. percent return.

- d. CRV.
- ___ 9. The difference between a property's value and the total of all liens (what is owed on the property) is called
- the equity.
 - due on sale.
 - the assessment.
 - the loan-to-value ratio.
- ___ 10. The expenses, which a lender incurs while processing a mortgage loan application, are recovered from the borrower as
- discount points.
 - origination fees.
 - mortgage insurance premium.
 - private mortgage insurance.
- ___ 11. Using the rule of thumb used by lenders (each point charged raises the yield by 1/8 of 1%), 4 discount points raise the effective yield of a typical home loan by
- 1/32 of 1%.
 - 2/8 of 1%.
 - 1/4 of 1%.
 - 1/2 of 1%.
- ___ 12. Who normally pays the discount points when a conventional loan is taken out to purchase a residence?
- Broker
 - Seller
 - Lender
 - Buyer
- ___ 13. The buyer agrees to pay \$90,000 for a home, contingent upon obtaining an 80% loan. The lender charges \$3,600 for points. How many points were charged?
- 2 points
 - 4 points
 - 5 points
 - 6 points
- ___ 14. Discount points are more likely to be used during periods of
- tight money and high interest rates.
 - available money and low interest rates.
 - cash sales.
 - purchase money mortgages.
- ___ 15. The role of the FHA in residential mortgage lending is
- guaranteeing the loan.
 - insuring the loan.
 - loaning the money.
 - as a secondary lender.
- ___ 16. Who must pay the discount points on an FHA loan?
- Negotiable
 - Seller
 - Buyer
 - There are no points on an FHA loan

- ___ 17. A borrower can expect to pay a mortgage insurance premium for
 - a. an FHA insured loan.
 - b. an 80% conventional loan.
 - c. a graduated payment loan.
 - d. an accelerated payment loan.
- ___ 18. A single woman applied for an FHA loan to buy a property she intends to use as a rental. Which if anything might cause her application to be denied?
 - a. There is no basis for denial for the application
 - b. She is single
 - c. She is a woman
 - d. She plans to use the property as a rental
- ___ 19. Usually, the borrower of a FHA loan is also responsible for the
 - a. mortgage insurance premium.
 - b. funding fees.
 - c. private mortgage insurance.
 - d. estoppel certificate.
- ___ 20. In the event of default and subsequent foreclosure, which borrower is responsible for making good on any losses suffered?
 - a. FHA (Federal Housing Administration)
 - b. DVA (Department of Veterans Affairs)
 - c. HUD (Housing and Urban Development)
 - d. 90% conventional

True/False

Indicate whether the sentence or statement is true or false.

- ___ 21. Money for tax and insurance payments that accompanies principal and interest could be placed in an escrow account or trust account.
- ___ 22. In order to ensure that the mortgagor has enough money to pay yearly property taxes and hazard insurance, the lender may insist on a budget mortgage.
- ___ 23. The buyer normally pays the discount points when a conventional loan is taken out to purchase a residence.
- ___ 24. Loan points increase the yield to the lender.
- ___ 25. The role of the FHA in residential mortgage lending is loaning the money.
- ___ 26. A single woman applied for an FHA loan to buy a duplex. She intends to live in one side and rent the other side. FHA would permit this type of loan.
- ___ 27. A conventional mortgage is one which is neither insured nor guaranteed by the government.
- ___ 28. A certificate of reasonable value (CRV) is issued by a HUD appraiser.
- ___ 29. A home sells for \$150,000 but is appraised by a lender for \$145,000. The lender will typically apply the loan-to-value ratio to the larger of the two numbers.
- ___ 30. Since the VA is guaranteeing the loan, a VA loan typically requires a large down payment.